NUNDA TOWNSHIP CHEBOYGAN COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2006

Prepared By: Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw Township, MI 49701

Michigan Oepartment of Treasury 496 (02/06)

Auc Issued	litin	ig F	rocedu	res Rej	port d P.A. 71 of 1919,	as amended.				
			ernment Type				Local Unit Nam			County
□County □City ☑Twp □Village				∐Village	Other	Nunda Tov	vnship		Cheboygan	
			Opinion Date			Date Audit Report Submitt				
March 31, 2006 February				February 2	, 2007		February 20, 200	<u> </u>		
We a	ffirm	that	<u>:</u>							
			·•		licensed to pr					
We f Mana	urthe agem	r affi nent l	rm the follo _etter (repo	wing mate ort of com	erial, "no" resp ments and reco	onses have ommendati	e been disclo ions).	sed in the financial state	ments, incl	uding the notes, or in the
See instructions										
1.	×		reporting	entity note	es to the financ	ial stateme	ents as neces	sary.		ements and/or disclosed in the
2.	×		There are (P.A. 275	no accun of 1980)	nulated deficits or the local un	in one or it has not e	more of this u exceeded its t	init's unreserved fund ba oudget for expenditures.	lances/unr	estricted net assets
3.	×		The local	unit is in o	compliance wit	h the Unifo	orm Chart of A	accounts issued by the D	epartment	of Treasury.
4.	X		The local	unit has a	idopted a budg	et for all re	equired funds			
5.	X		A public h	nearing on	the budget wa	as held in a	ccordance w	ith State statute.		
6.	×		The local other guid	unit has r dance as i	not violated the ssued by the L	Municipal ocal Audit	Finance Act, and Finance	an order issued under th Division.	ne Emerger	ncy Municipal Loan Act, or
7.	×		The local	unit has r	not been deling	uent in dis	tributing tax r	x revenues that were collected for another taxing unit.		
8.	×		The local	unit only l	holds deposits	/investmen	ts that compl	with statutory requirements.		
9.	×		The local Audits of	unit has r Local Unit	to illegal or unauthorized expenditures that came to our attention as defined in the Bulletin for its of Government in Michigan, as revised (see Appendix H of Bulletin).				ed in the <i>Bulletin for</i>	
10.	X		that have	not been	previously con	nmunicated	d to the Local	ement, which came to ou Audit and Finance Divis under separate cover.	r attention ion (LAFD)	during the course of our audit . If there is such activity that has
11.	X		The local	unit is fre	e of repeated o	comments	from previous	s years.		
12.	X		The audit	opinion is	UNQUALIFIE	D.				
13.	×		The local accepted	unit has d	complied with (GASB 34 o GAAP).	r GASB 34 as	s modified by MCGAA St	tatement #7	and other generally
14.	×		The boar	d or cound	cil approves all	invoices p	rior to payme	nt as required by charter	r or statute.	
15.	×		To our kr	owledge,	bank reconcilia	ations that	were reviewe	d were performed timely	<i>t</i> .	
incl des	uded cripti	in tion(s	his or any) of the aut	other aud hority and	horities and co dit report, nor d/or commissions statement is	do they o n.	btain a stand	l-alone audit, please en	undaries of close the	the audited entity and is not name(s), address(es), and a
			closed the	<u> </u>		Enclosed		ed (enter a brief justification)	
			atements		<u>-</u>	\boxtimes		·	_	
The	e l et te	er of	Comments	and Rec	ommendations	X				
Oth	ner (o	escrib	e)							
			Accountant (F Mahlmeis		, PC	1	,	Telephone Number 231-436-5223		
Stre	Street Address 580-South Nicolet Street, P.O. Box 996					_		с _{іty} Маскіпаw City	State M1	Zip 49701

Printed Name

Richard E. Mahlmeister, CPA

License Number

17351

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Member: American Institute of Certified Public Accountants

Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

February 2, 2007

Township Board Nunda Township Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Nunda Township*, *Cheboygan County*, *Michigan*, as of and for the year ended March 31, 2006, which collectively comprise *Nunda Township's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of *Nunda Township's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of *Nunda Township*, *Cheboygan County*, *Michigan*, as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of April 1, 2005.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 25 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Nunda Township's* basic financial statements. The other supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Richard E. Mahlmeister, C.P.A.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section. Please be advised that comparative analysis to the previous year's financial results is not available, as this year is the first year of implementation of GASB 34. It will be provided in future years when prior information is available.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

- Net assets at March 31, 2006 totaled \$1,260,095, representing an increase of \$825,276 from the previous fiscal year.
- The total cost of basic programs, excluding capital outlay and debt issuance costs, were \$165,249.
- Total revenues were \$990,525 for governmental activities (including \$677,214 of special assessments).
- The Township issued 2005 Special Assessment Limited Tax General Obligation Bonds of \$675,000 for construction and improvements to the Wildwood Lake dam.
- At the end of the fiscal year, the General Fund had \$179,779 of unreserved fund balance available for future expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2006.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Road Fund, Fire Fund, Liquor Law Enforcement Fund, Wildwood Dam Public Improvement Fund, Wildwood Dam Capital Projects Fund and Wildwood Dam Debt Retirement Fund.

Following is a summary of the Township's net assets at March 31, 2006:

	GOVERNMENTAL ACTIVITIES
Assets:	
Cash, investments and other assets	\$1,490,759
Unamortized debt issue costs (net)	28,037
Capital assets (net)	514,717
Total assets	\$2,033,513
Liabilities: Current liabilities Noncurrent liabilities Total Liabilities	\$138,418 635,000 \$773,418
Net assets:	
Invested in capital assets, net of related debt	\$37,003
Restricted	865,717
Unrestricted	357,375
Total Net Assets	\$1,260,095

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$357,375 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township as of March 31, 2006:

	GOVERNMENTALACTIVITIES
REVENUES:	
Program revenues:	
Charges for services	\$2,948
General revenues:	
Property taxes	205,980
State-shared revenues	72,607
Special assessments	677,214
Unrestricted interest income	31,118
Other	658
Total Revenues	990,525
EXPENSES: Legislative	17,300
General government	64,909
Public safety	31,778
Public works	19,803
Other	8,459
Interest and fees on long-term debt	23,000
Total Expenses	165,249
NET ASSETS:	
Increase in net assets	825,276
Beginning Net Assets	434,819
Ending Net Assets	\$1,260,095

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in net assets. Net assets increased by \$825,276 due mainly to property tax increases from rising taxable values, new construction, and the levy of a special assessment for the improvement of the Wildwood Lake dam. Overall expenses have remained stable.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board may also create funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains six individual governmental funds; General Fund, Road Fund, Fire Fund, Wildwood Dam Capital Projects Fund and Wildwood Dam Debt Retirement Fund of which we consider major funds. We also have Liquor Law Enforcement and Wildwood Dam Maintenance Funds, which we consider non-major funds. The Township funds are financed primarily by property taxes, special assessments and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The General, Fire, Liquor Law Enforcement Fund activities remained consistent. The Wildwood Lake Dam Capital Projects, Wildwood Lake Dam Maintenance and Wildwood Lake Dam Debt Retirement Funds, which are new this year, increased substantially, due to the sale of bonds and the special assessments received. The Road Funds also had a substantial increase, primarily due to no significant road projects undertaken this year. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, and tax collection.

The governmental funds summary of activity for the fiscal year ended March 31, 2006 is as follows:

- The General Fund increased its fund balance by \$24,536, bringing the fund balance to \$179,779.
- The Fire Fund increased its fund balance by \$18,088, bringing the fund balance to \$52,729.
- The Liquor Law Enforcement Fund increased its fund balances by \$92, bringing the fund balance to \$1,639.
- Within the Road Fund, General Roads increased its fund balance by \$40,571, bringing its fund balance to \$123,228.
- Within the Road Fund, Wildwood Roads (special assessment 98-2, reconstruction) increased its fund balance by \$30,385, bringing its fund balance to \$102,906.
- Within the Road Fund, Wildwood Roads (special assessment 02-1, paving) increased its fund balance by \$35,710, bringing the fund balance to \$62,065.
- The Wildwood Lake Dam Capital Projects Fund increased its fund balance by \$226,028, bringing the fund balance to \$169,249 (from a deficit of \$56,779).
- The Wildwood Lake Dam Debt Retirement Fund (special assessment 05-1) increased its fund balance by \$192,709, bringing the fund balance to \$192,709.
- The Wildwood Lake Dam Maintenance Fund (special assessment 05-2) increased its fund balance by \$2,402, bringing the fund balance to \$33,401.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2006, the Township's governmental activities had \$514,717 in net capital assets (land, buildings, equipment and infrastructure). Capital assets purchased during the current year consisted of construction in progress of the Wildwood Lake Dam, which totaled \$428,691.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

We increased our debt by \$675,000 by issuing special assessment bonds for the reconstruction and improvements to the Wildwood Lake Dam. The debt is to be repaid over ten years by special assessments levied on the affected property owners. The first payment on this debt is scheduled to be made during the fiscal year ended March 31, 2007.

BUDGETARY HIGHLIGHTS

Overall there are no significant differences between the original and final budget. Less money was spent from Wildwood Road Fund 98-2 than had been budgeted. This was due to the County Road Commission being unable to begin the Lakeview Drive Reconstruction Project this year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of concern is the continuing potential for reduction in state-shared revenues and swamp tax. These monies come from the State of Michigan and are contingent on various economic and political considerations. We also plan on spending approximately \$60,000 to complete the Wildwood Lake Dam project and \$110,000 for road improvements.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official.

John D. Moore

Nunda Township Supervisor

E. Marie Sloan

Nunda Township Clerk

E. Marie Sloan

Floria L. Pierson

Nunda Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NUNDA TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2006

ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents	\$282,071
Investments	670,670
Receivables:	
Property taxes	34,932
Special assessments	495,899
From other governmental units	7,187
Unamortized deht issuance costs (Net of Accumulated Amortization)	28,037
Capital assets (Net of Accumulated Depreciation)	514,717
TOTAL ASSETS	\$2,033,513
•	
LIABILITIES AND NET ASSETS	
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable	\$76,911
- Accrued interest	21,263
Deferred revenue	244
Long-term liabilities:	
Due within one year	40,000
Due in more than one year	635,000
TOTAL LIABILITIES	773,418
NET ASSETS:	
Invested in capital assets, net of related debt	37,003
Restricted for:	
Wildwood Roads construction and maintenance	164,971
Wildwood Dam maintenance	33,401
Debt service	667,345
Unrestricted	357,375
TOTAL NET ASSETS	1,260,095
TOTAL LIABILITIES	
AND NET ASSETS	\$2,033,513

NUNDA TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative	\$17,300	\$ -	\$ -
General government	64,909	2,948	-
Public safety	31,778	-	-
Public works	19,803	-	-
Other	8,459	-	-
Interest and fees on long-term debt	23,000	_	
Total governmental activities	165,249	2,948	<u>-</u>

General Revenues
Property taxes
State-shared revenues
Special assessments
Unrestricted interest income
Other
Total general revenues
Change in net assets

Net assets, end of year

Net assets, beginning of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes

in Net Assets

Governmental Activities

Capital Grants	
and	
Contributions	TOTAL

	\$ -	(\$17,300)
	-	(61,961)
	-	(31,778)
	-	(19,803)
	-	(8,459)
	-	(23,000)

-	(1	62,301)

205,980
72,607
677,214
31,118
 658
 987,577
 825,276
434.819

\$1,260,095

FUND FINANCIAL STATEMENTS

NUNDA TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

	GENERAL	ROAD	FIRE
ASSETS	FUND	FUND	FUND
Cash and cash equivalents	\$4,808	\$ -	\$ -
Investments	162,324	274,057	46,132
Taxes receivable	5,356	14,142	6,597
Special assessment receivable	-	-	-
Due from other funds	104	-	-
Due from other governmental units	7,187		<u>-</u>
TOTAL ASSETS	\$179,779	\$288,199	\$52,729
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-		
TOTAL LIABILITIES	<u>-</u>		·
FUND BALANCES			
Reserved for:			
Wildwood Roads construction and maintenance	-	164,971	-
Wildwood Dam construction	-	-	-
Wildwood Dam maintenance	-	-	-
Debt service	=	-	-
Unreserved, undesignated	179,779	123,228	52,729
TOTAL FUND BALANCES	179,779	288,199	52,729
TOTAL LIABILITIES			
AND FUND BALANCES	\$179,779	\$288,199	\$52,729

The accompanying notes are an integral part of these financial statements.

WILDWOOD LAKE DAM CAPITAL PROJECTS FUND	WILDWOOD LAKE DAM DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$277,159	\$ -	\$ -	\$281,967
-	184,482	3,675	670,670
-	8,227	610	34,932
-	495,899	-	495,899
-	-	30,999	31,103
-		<u> </u>	7,187
\$277,159	\$688,608	\$35,284	\$1,521,758
\$76,911	\$ -	·	\$76,911
30,999	J		30,999
	495,899	244	496,143
107,910	495,899	244	604,053
			164 071
-	-	33,401	164,971 33,401
169,249	•	33,401	33,401 169,249
107,247	192,709	- -	192,709
		1,639	357,375
169,249	192,709	35,040	917,705
\$277,159	\$688,608	\$35,284	\$1,521,758

NUNDA TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets. \$917,705 FUND BALANCES - TOTAL GOVERNMENTAL FUNDS Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 545,086 Add: capital assets (30,369)Subtract: accumulated depreciation Deferred costs used in governmental activities are not financial resources and, therefore, arc not reported in the funds. 29,774 Add: debt issuance costs Subtract: accumulated amortization (1,737)Special assessment receivables are expected to be collected over several years and are not available to pay current year expenditures. 495,899 Add: deferred special assessment revenues and other deferred revenues. Certain liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds, and consist of: (675,000)Subtract: bonds payable (21,263)Subtract: accrued interest on long-term liabilities

The accompanying notes are an integral part of these financial statements.

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$1,260,095

NUNDA TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL	ROAD	FIRE
	FUND	FUND	FUND
REVENUES:			
Taxes	\$47,265	\$103,547	\$49,096
State shared revenues	66,882	5,210	-
Special assessments	-	-	-
Charges for services	2,948	•	-
1nterest	3,332	5,954	293
Other revenue	658		···
TOTAL REVENUES	121,085	114,711	49,389
EXPENDITURES			
Current:			
Legislative	17,300	-	-
General government	63,300	•	-
Public safety	-	-	31,301
Public works	7,490	8,045	-
Other functions	8,459	-	-
Capital outlay	-	-	-
Debt service:			
Interest and fees			-
TOTAL EXPENDITURES	96,549	8,045	31,301
REVENUES OVER (UNDER) EXPENDITURES	24,536	106,666	18,088
OTHER FINANCING SOURCES Bond Proceeds	•	•	
NET CHANGES IN FUND BALANCES	24,536	106,666	18,088
FUND BALANCES, BEGINNING OF YEAR	155,243	181,533	34,641
FUND BALANCES, END OF YEAR	\$179,779	\$288,199	\$52,729

The accompanying notes are an integral part of these financial statements.

WILDWOOD LAKE DAM CAPITAL PROJECTS FUND	WILDWOOD LAKE DAM DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$6,072	\$205,980
-	_	515	72,607
-	181,315	-	181,315
-	-	-	2,948
\$10,064	I1,394	81	31,118
		<u>-</u>	658
10,064	192,709	6,668	494,626
	_		17,300
_	_	•	63,300
	-	. 477	31,778
571	-	3,697	19,803
-	-	,	8,459
428,691	-		428,691
23,024		<u> </u>	23,024
452,286		4,174	592,355
(442,222)	192,709	2,494	(97,729)
668,250		<u> </u>	668,250
226,028	192,709	2,494	570,521
(56,779)		32,546	347,184
\$169,249	\$192,709	\$35,040	\$917,705

NUNDA TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities. NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$570,521 Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities. 428,691 Add: capital outlay capitalized during the current year Subtract: depreciation expense. (1,609)Governmental funds report deferred costs, such as debt issuance costs, as expenditures. However, those costs are allocated over the related debt repayment period as annual amortization expense in the statement of activities. 29,774 Add: debt issuance costs capitalized during the current year (1,737)Subtract: amortization expense Special assessment revenues are recorded in the statement of activities when the project is substantially complete; they are not reported in the funds if collected by year end or within 60 days of year end. Add: current year special assessments. 495,899 Bond proceeds provide current financial resources to governmental funds however, issuing debt increases long-term liabilities in the statement of net assets. Subtract: bond proceeds (675,000)Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

The accompanying notes are an integral part of these financial statements.

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

Add: prior year accrued interest on debt Subtract: current year accrued interest on debt

(21,263)

\$825,276

NUNDA TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND MARCH 31, 2006

1	ASSETS	AGENCY FUND
	Cash	\$104
•		
•	LIABILITIES	
•	Due to other funds	\$104
	NET ASSETS	
ı	Fiduciary Net Assets	<u> </u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nunda Township, Cheboygan County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Nunda Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures and applied those standards as of April 1, 2005. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

Jointly Governed Organization

See Note 9 for information describing related organizations not included in the Township's reporting entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when the government receives cash.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Road Fund - This special revenue fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

<u>Fire Fund</u> - The Special Revenue - Fire Fund is used to account for expenditures related to contracted, township provided, fire service. Financing is provided primarily by a special property tax levy.

<u>Wildwood Lake Dam Capital Projects Fund</u> - This capital project fund is used to account for the reconstruction and improvement of the Wildwood Lake Dam, financed primarily by bonded indebtedness.

<u>Wildwood Lake Dam Debt Retirement Fund</u> - This fund is used to account for the special assessments collected and the payments on bonds issued for the 2005 reconstruction and improvement of the Wildwood Lake Dam.

The Township reports the following special revenue - nonmajor funds:

<u>Liquor Law Enforcement Fund</u> – This fund accounts for liquor license fees refunded by the State and utilization for enforcement of the State's liquor laws.

<u>Wildwood Lake Dam Maintenance Fund</u> — This fund accounts for expenses related to maintaining and improving the Wildwood Lake Dam. Funding comes primarily from a three-year special assessment.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FUND TYPES AND MAJOR FUNDS (CONTINUED)

Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at market value and consist of certificates of deposit with maturity values of three months or longer and bank money market funds, which invest, solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

PENSION

The provision for pension cost is recorded on an accrual basis, and the Township's policy is to fund pension costs as they accrue.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED REVENUE

In the governmental funds, deferred revenue in the debt service funds consists of special assessments on property owners for the Wildwood Lake Dam reconstruction and improvement project, and represents amounts to be collected in the future.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$400 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Because the Township is considered a phase 3 government for GASB 34 implementation requirements, the Township is not required to report infrastructure retrospectively. Any future infrastructure additions will be capitalized.

Estimated useful lives, in years, for depreciable assets are as follows:

Land improvements10-15 yearsBuildings and improvements15-40 yearsEquipment5-10 yearsInfrastructure40-50 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FUND EQUITY

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and budgetary accounting

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
- 5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

Investment Policy

The Township has not adopted an Investment Policy in accordance with P.A. 20 of 1943, as amended.

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled \$33,581,731, on which ad valorem taxes consisted of .8842 mills for the Township's operating purposes, 1.1229 mills for roads and 1.4665 mills for fire, raising \$29,596 for operating purposes \$103,547 for roads and \$49,096 for fire.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH AND CASH EQUIVALENTS, AND INVESTMENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$282,071
Investments (certificates of deposit)	60,000
Pooled investments (bank money market funds)	610,670
	\$952,741

The Township pools investments to maximize investment return. The equity of each fund in the common investment account is as follows:

General Fund	\$102,324
Special Revenue-Road Fund	274,057
Special Revenue-Fire Fund	46,132
Special Revenue-Liquor Law Enforcement Fund	1,639
Wildwood Lake Dam Debt Retirement Fund	184,482
Wildwood Lake Dam Maintenance Fund	2,036
	ØC10 C70
	\$610,670

<u>Custodial Credit Risk – Deposits</u>: At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying	Bank
	Amount	Balance
Insured (FDIC)	\$170,401	\$170,422
Uninsured – uncollateralized	782,340	787,043
	\$952,741	\$957,465

For the year ended March 31, 2006, investments consist of \$60,000 in certificates of deposit with maturity values of three months or longer and \$610,670 in bank money market funds which invest solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies and are not insured by the Federal Deposit Insurance Corporation (FDIC).

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH AND CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments are stated at market value. Investments held at a financial institution can be categorized according to three levels of risk. The GASB Statement No. 3 risk disclosures are as follows:

- 1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
- 2. Uninsured and Unregistered, with Securities held by the Counterparty's Trust Department or its agent in the Township's name.
- 3. Uninsured and Unregistered, with Securities held by the Counterparty or the Counterparty's Trust Department or Agent, but not in the Township's name.

The Township's pooled investments are classified as risk category 2. The Township believes that due to the dollar amounts of deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's deposits and investments are in accordance with statutory authority.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2006 are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$104	\$ -
Wildwood Lake Dam Capital Projects Fund	-	30,999
Wildwood Lake Dam Public Improvement Fund	30,999	-
Fiduciary - Tax Collection	<u> </u>	104
Total	\$31,103	\$31,103

There were no operating transfers for the year ended March 31, 2006.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Not being depreciated:				
Land	\$12,000	\$ -	\$ -	\$12,000
Being Depreciated:				
Building and Improvements	40,000	-	-	40,000
Equipment	7,616			7,616
Infrastructure	56,779	428,691		485,470
Subtotal	116,395	428,691	-	545,086
Less aecumulated depreciation	(28,760)	(1,609)		(30,369)
Total	\$87,635	\$427,082	\$ -	\$514,717

Depreciation was charged to the Township's functions as follows:

General government \$1,609

NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at March 31, 2006, and transactions related thereto for the year then ended is as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
\$675,000 2005 limited tax general obligation special assessment bonds for Wildwood Lake Dam reconstruction and, improvement project, payable in annual installments from \$40,000 to \$75,000, bearing interest semi-annually at 5.4%, through November, 2015.	S -	\$675,000	S -	\$675,000	\$40,000
. 10 1 0110 01, 20 10 1		\$373,000		\$073,000	\$ 10,000

The annual requirements for five years ending March 31, 2006 and thereafter, including \$219,375 in interest, as follows:

Year Ended	
March 31,	Amount
2007	\$82,525
2008	99,290
2009	95,780
2010	92,270
2011	88,760
2012	95,250
2013-2016	340,500
	\$894,375

NOTE 8: PENSION PLAN

The Township provides pension benefits to elected officials, who choose to be covered, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes a percentage of each covered employee's wages to the plan. The covered employees also contribute to the plan. In accordance with these requirements, the Township contributed \$1,357 during the current year. Contract fees were \$180.

NOTES TO FINANCIAL STATEMENTS

NOTE 9: JOINT VENTURE

The Township, in conjunction with the Cheboygan County Townships of Ellis, Mentor and Wilmot, have created under PA 7 of 1967 and PA 365 of 1985 the Wolverine Joint Fire Board (the Fire Board) to provide fire service to local residents. In accordance with the agreement, a nine-member board composed of two appointees from each Township and an at-large member from the Village of Wolverine governs the Fire Board. An individual township may withdraw from the agreement with a 12-month prior notice. The agreement expires April 1, 2010 and may be renewed, revised or cancelled by a separate majority vote of the townships participating. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township equal to a one-mill levy on the taxable value of the geographical area covered. For the year ended March 31, 2006, Nunda Township's share of contributions were \$31,301. Audited financial statements of the Wolverine Joint Fire Board can be obtained, by request, at the Nunda Township Hall.

NOTE 10: RISK MANAGEMENT

Nunda Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$236,800, general liability of \$3,000,000, wrongful acts of \$2,000,000, crime of \$10,000, automobile of \$1,000,000, inland marine liability of \$11,500 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 11: COMMITMENTS

The Township is committed under contracts for road improvements in the approximate amount of \$51,000.

The City has approximately \$60,000 remaining on engineering and construction contracts to finish the Wildwood Lake Dam reconstruction and improvement project.

REQUIRED SUPPLEMENTARY INFORMATION

NUNDA TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

				VARIANCE WITH
				FINAL AMENDED BUDGET
	ORIGINAL	FINAL		POSITIVE
	BUDGET	BUDGET	ACTUAL	(NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$29,935	\$29,935	\$29,596	(\$339)
Property taxes - administrative fee	16,967	16,967	17,669	702
Total taxes	46,902	46,902	47,265	363
State shared revenues:				
State shared revenues	42,055	42,055	43,198	1,143
Swampland and payment in lieu of tax	23,684	23,684	23,684	
Total state shared revenues	65,739	65,739	66,882	1,143
Charges for services:				
Cemetery lots and burials	4,135	4,135	2,515	(1,620)
Rentals and other	570	570	433	(137)
Total charges for services	4,705	4,705	2,948	(1,757)
Interest	1,448	1,448	3,332	1,884
Other revenue	1,200	1,200	658	(542)
TOTAL REVENUES	119,994	119,994	121,085	1,091

NUNDA TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE	002.075	#22.440	417 200	#£ 140
Township board	\$23,965	\$22,440	\$17,300	\$5,140
GENERAL GOVERNMENT				
Supervisor	10,669	11,500	10,491	1,009
Assessor	15,750	16,600	15,349	1,251
Elections	1,750	1,750	-	1,750
Board of Review	1,200	805	690	115
Clerk	10,988	11,115	10,574	541
Treasurer	16,168	16,945	16,212	733
Township property	3,800	3,790	3,275	515
Cemetery	10,075	9,025	6,709	2,316
TOTAL GENERAL GOVERNMENT	70,400	71,530	63,300	8,230
PUBLIC WORKS				
Street lights	1,400	1,400	1,102	298
Sanitation	6,000	6,500	6,388	112
TOTAL PUBLIC WORKS	7,400	7,900	7,490	410
OTHER FUNCTIONS				
Insurance and other benefits	6,800	5,500	5,020	480
Other	1,225	3,750	3,439	311
Contingency	9,979	8,649	. .	8,649
TOTAL OTHER FUNCTIONS	18,004	17,899	8,459	9,440
TOTAL EXPENDITURES	119,769	119,769	96,549	23,220
NET CHANGE IN FUND BALANCE	225	225	24,536	24,311
FUND BALANCE - BEGINNING OF YEAR	155,243	155,243	155,243	
FUND BALANCE - END OF YEAR	\$155,468	\$155,468	\$179,779	\$24,311

NUNDA TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - ROAD FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$101,401	\$101,401	\$103,547	\$2,146
State shared revenues - METRO Act	3,424	3,424	5,210	1,786
Interest income	1,872	1,872	5,954	4,082
TOTAL REVENUES	106,697	106,697	114,711	8,014
EXPENDITURES:				
Public works	93,874	73,874	8,045	65,829
TOTAL EXPENDITURES	93,874	73,874	8,045	65,829
NET CHANGE IN FUND BALANCE	12,823	32,823	106,666	73,843
FUND BALANCE, BEGINNING OF YEAR	181,533	181,533	181,533	-
FUND BALANCE, END OF YEAR	\$194,356	\$214,356	\$288,199	\$73,843

NUNDA TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - FIRE FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$32,351	\$32,351	\$49,096	\$16,745
Interest income	79	79	293	214
TOTAL REVENUES	32,430	32,430	49,389	16,959
EXPENDITURES:				
Public safety:				
Fire protection	31,301	31,301	31,301	· · ·
TOTAL EXPENDITURES	31,301	31,301	31,301	
NET CHANGE IN FUND BALANCE	1,129	1,129	18,088	16,959
FUND BALANCE, BEGINNING OF YEAR	34,641	34,641	34,641	-
FUND BALANCE, END OF YEAR	\$35,770	\$35,770	\$52,729	\$16,959

OTHER SUPPLEMENTARY INFORMATION

NUNDA TOWNSHIP COMBINING BALANCE SHEET SPECIAL REVENUE - NONMAJOR GOVERNMENTAL FUNDS MARCH 31, 2006

	LIQUOR LAW ENFORCEMENT FUND	WILDWOOD LAKE DAM MAINTENANCE FUND	TOTAL
ASSETS			
Investments	\$1,639	\$2,036	\$3,675
Taxes receivable	,	610	610
Due from other funds		30,999	30,999
TOTAL ASSETS	\$1,639	\$33,645	\$35,284
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Deferred revenue	<u> </u>	\$244	\$244
FUND BALANCES:			
Reserved for Wildwood Dam maintenance	-	33,401	33,401
Unreserved, undesignated	1,639		1,639
TOTAL FUND EQUITY	1,639	33,401	35,040
TOTAL LIABILITIES			
AND FUND EQUITY	\$1,639	\$33,645	\$35,284

NUNDA TOWNSHIP COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE - NONMAJOR GOVERNMENTAL FUNDS MARCH 31, 2006

	LIQUOR LAW ENFORCEMENT FUND	WILDWOOD LAKE DAM MAINTENANCE FUND	TOTAL
REVENUES:			
Property taxes - special assessment	s -	\$6,072	\$6,072
State shared revenue	515	-	515
Interest	54	27	81
TOTAL REVENUES	569	6, <u>099</u>	6,668
EXPENDITURES:			
Public safety	477	-	477
Public works		3,697	3,697
TOTAL EXPENDITURES	477	3,697	4,174
NET CHANGE IN FUND BALANCES	92	2,402	2,494
FUND BALANCES - BEGINNING OF YEAR	1,547	30,999	32,546
FUND BALANCES - END OF YEAR	\$1,639	\$33,401	\$35,040



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

February 2, 2006

Township Board Nunda Township Cheboygan County, Michigan

In planning and performing my audit of the financial statements of *Nunda Township*, *Cheboygan County*, *Michigan*, for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated February 2, 2006 on the financial statements of *Nunda Township*.

Thank you for the opportunity to serve *Nunda Township*. I appreciate the assistance I received from the Supervisor, Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

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Nunda Township Comments & Suggestions February 2, 2006 Page 2 (two)

Reportable Condition

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Nunda Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Nunda Township*, where corrective action is not practical, and, considering other mitigating factors and controls, is not considered to be a material weakness.

Capital Assets

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The Government Officer's Finance Association (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. I further would recommend that the Board make this threshold, at least, in the range \$1,000 to \$2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.

Accounting Software

Considering the size and accounting needs of the Township, the current accounting software adequately provides accounting information for financial statement preparation. However, though the basic structure is there, it does not <u>fully</u> utilize the Uniform Chart of Accounts, as prescribed by the State of Michigan.

I suggest that the Board, consider pursuing purchasing fund accounting software to a level that will provide accounting and budgeting information, separately for each fund, that may be more useful to management and fully utilize the Uniform Chart of Accounts, as prescribed by the State of Michigan. Optionally, the Township could consider receiving the instruction necessary to enable the Township to efficiently and accurately account for the Township's different funds with the current software.

Nunda Township Comments & Suggestions February 2, 2006 Page 3 (three)

Beginning Fund Deficit

A beginning fund balance deficit net assets in the Wildwood Lake Dam Capital Projects Fund existed in the amount of \$56,779 at March 31, 2005. This resulted from expenses incurred on the construction of the Wildwood Lake Dam where expenditures were incurred prior to the revenue in the form of bond proceeds being received in the current fiscal year, causing expenditures to exceed revenues. The deficit was eliminated once these bond proceeds were received during the fiscal year and no deficit existed as of March 31, 2006.

I recommend that the Township review options it may have before any new projects are undertaken relative to funding, to be in compliance with Public Act 275 of 1980.

Cash/Investments and Investment Policy

The Township has not adopted an Investment Policy in accordance with P.A. 20 of 1943, as amended. I recommend that the Township adopt the required policy as soon as possible to comply with state statute.

At year-end, the Township had \$787,043 in deposits with financial institutions that are uninsured by federal depository insurance. This includes approximately \$615,400 in municipal investment funds, which are uninsured. Though these funds are in a high quality bank, I recommend that the Township consider this when drafting the required investment policy relative to these type of investments.